

Message Text

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TAGS: BENC, BEXP, ELTN, EFIN, EAID, IBRD, SCUL, NI

SUBJECT: NIGERIAN RAILWAYS SELECT AMERICAN DIESEL LOCOMOTIVES
AND LOOK WITH FAVOR ON US CONSTRUCTION FIRM

REF: (LAGOS 8795 AND PREVIOUS

1; FEDERAL EXECUTIVE COUNCIL HAS JUST GIVEN FORMAL APPROVAL FOR NIGERIAN RAILWAYS TO PURCHASE 55 DIESEL LOCOMOTIVES FROM GENERAL ELECTRIC AND GENERAL MOTORS. IN CALL UPON RAILWAYS GENERAL MANAGER NZEGWU ON AUGUST 11, EMBASSY MAJOR PROJECTS OFFICER AND I WERE TOLD THAT COMPANY REPRESENTATIVES SHOULD COME TO LAGOS AS SOON AS POSSIBLE TO PROCEED WITH IMPLEMENTATION OF SALES TRANSACTION. NZEGWU STRESSED THAT THE LOCOMOTIVES SHOULD BE 12 CYLINDER MODELS RATHER THAN THE "UNPROVEN 8 CYLINDER" TYPE. HE FURTHER STRESSED THAT THIS ORDER "IS ONLY THE BEGINNING" IF BOTH COMPANIES "DID THEIR BEST" IN SUPPLYING THESE UNITS.

2. REGARDING OVERALL RAILROAD DEVELOPMENT PROGRAM NZEGWU EXPRESSED SATISFACTION OVER RAILROAD BUILDERS INC. OF COLORADO, DESCRIBING THEIR PROPOSAL AS THE BEST RESEARCHED AND THE BEST PRICED. WE POINTED OUT THAT RBI HAD CARRIED OUT AN EXACTING SURVEY OF THE PROJECT, INCLUDING DETAILED AERIAL AND GROUND INSPECTION OF AREAS, AND HAD BEEN SELECTED BY USG TO BUILD TESTING SITE FOR EXPERIMENTAL TRAINS IN U.S. EMPHASIZED WE BACKED RBI AND HAD FULL FAITH IN ITS COMPETENCE.

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3. ALTHOUGH BIDS FOR THE EIGHT SECTIONS OF DEVELOPMENT PROJECT WERE SUBMITTED JULY 29, NZEGWU BELIEVES AWARD WILL BE DELAYED BECAUSE OF FURTHER STUDY ON FINANCING. IT IS NOW POSSIBLE THAT CONSTRUCTION OF EIGHT SECTIONS WILL PROCEED SIMULTANEOUSLY CAUSING HIGHER-THAN-EXPECTED COSTS "TO RUN INTO BILLIONS OF NAIRA." IN ORDER TO FINANCE SUCH AN UNDERTAKING MINISTRY OF TRANSPORT NOW DEBATING WHETHER FMG CAN FINANCE PROJECT WHOLLY FROM OWN RESOURCES OR RESORT TO PARTIAL FUNDING FROM MULTILATERAL, GOVERNMENT BILATERAL OR PRIVATE COMMERCIAL LOANS. (UNDER CURRENT AUTHORIZATIONS, 1.7 BILLION NAIRA REPORTEDLY EARMARKED FOR PROJECT, BUT WE CALCULATE THAT APPROXIMATELY FOUR BILLION NAIRA WILL BE NEEDED FOR PROJECT AS NOW ENVISAGED.)

4. DIMENSIONS OF PROJECT SO LARGE THAT SEPARATE RAILWAY CONSTRUCTION AUTHORITY PRESUMABLY WILL BE FORMED. THIS GROUP WILL EMPLOY MASTER CONSULTANT WHO IN TURN WILL UTILIZE SUBCONSULTANTS. COMPANIES WHO HAVE SUBMITTED CONSULTANCY BIDS FOR OVERSEEING WGRK ON EIGHT SECTIONS INCLUDE SOFERAIL, TRANSMARK, SCANDIA, ITALCONSULT, TAMS: PRC. NZEGWU NOW HAS SERIOUS DOUBTS ABOUT ITALCONSULT HAVING JUST FOUND OUT THROUGH AMERICAN MAGAZINE CLIPPING THAT COMPANY PARTLY OWNED BY FIAT WPO IS BIDDING ON CONSTRUCTION WORK. NZEGWU THINKS THAT THIS CLEARLY UNETHICAL.

6. NZEGWU WARMLY ACCEPTED OUR INVITATION TO VISIT US. HE EXPLAINED THAT HE WAS UNABLE TO UTILIZE PAST INVITATIONS BUT "SITUATION HAD NOW CHANGED" MAKING HIM FREE TO GO WHENEVER CONVENIENT. PREFERRED TIME WOULD BE MAY 1977, IMMEDIATELY AFTER LATE APRIL PORT OPERATIONS CONFERENCE IN HOUSTON, TEXAS. WE PLAN TO ARRANGE TRIP WITHIN CU'S INTERNATIONAL VISITOR PROGRAM.

7. FOR ABIDJAN: PLEASE ALERT GE'S ROLF EDHOLM TO FMG DIESEL LOCOMOTIVE DECISION AND REQUEST HE COME TO LAGOS TO CONFER WITH NZEGWU. IN KEEPING WITH THE OCCASION I SUGGESTED THAT NZEGWU THROW OUT THREE-FOOT LONG SCALE MODEL OF JAPANESE LOCOMOTIVE NOW ON DISPLAY IN HIS OFFICE. HE HAS AGREED TO DO SO ON CONDITION HE IS GIVEN GE REPLACEMENT.
CAHILL

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